

*Hydroelectric facility construction began in the late 1800s.
Interior of the Folsom Powerhouse, around 1900.*

• PROPERTY TAXES

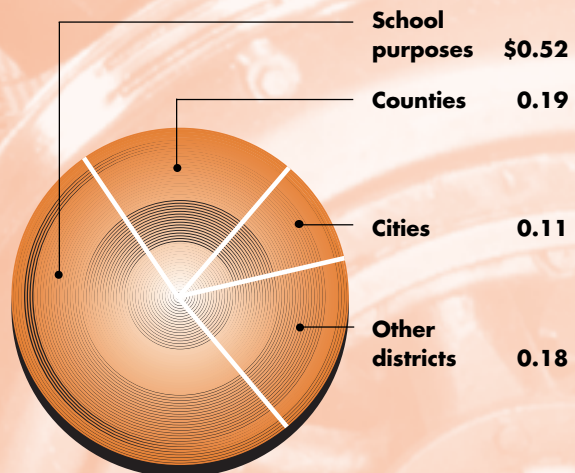
Revenues

California property tax levies for fiscal year 2000-01 totaled \$24.77 billion, an increase of 8.2 percent from the previous year's total of \$22.89 billion. County-assessed property values increased \$214 billion during 2000-01 to reach \$2.51 trillion for the 2001-02 tax year.

In early 2001, state-assessed properties—primarily privately owned public utilities and railroads—were valued by the Board at \$63.34 billion for the 2001-02 roll, a \$310 million increase from the values set for the 2000-01 roll. In 2001-02, the state's 58 counties will receive an estimated \$697 million in local property tax revenue from state-assessed properties.

For detailed property tax information, please see the [Appendix](#), pages A-4 through A-22.

2000-01 **General Property Tax Dollar** *Average State Allocation*



Programs

The Board of Equalization oversees the assessment practices of the state's 58 county assessors, who are charged with establishing values for approximately 12 million properties each year. In addition, the Board assesses the property of regulated railroads and specified public utilities, and assesses and collects the private railroad car tax and the timber yield tax.

General Property Taxes

Expanded activity in residential and nonresidential construction, increased home prices, and high levels of real estate sales combined to boost property values by 9.4 percent for the 2001-02 roll. The increase was greater than the 8.3 percent gain for 2000-01 and the largest value increase since fiscal year 1990-91.

Under the constraints imposed by Proposition 13, passed by California voters in 1978, property tax cannot exceed one percent of fair market value, with limited exceptions. In general, a county can reappraise real property at current market value only when there is a change in ownership or new construction. Otherwise, under Proposition 13, value increases for individual properties cannot exceed two percent per year, with an annual inflation adjustment based on the previous calendar year's California Consumer Price Index for all items.

State-Assessed Properties

In accordance with article XIII, section 19 of the California Constitution, the Board of Equalization assesses certain public-utility and other specified properties and allocates the assessed values among the counties where the properties are physically located. Each county taxes the allocated value of

state-assessed properties at the same rate as locally assessed properties.

State-assessed properties include

- Pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties.
- Property (except franchises) owned or used by regulated railway, telegraph, or telephone companies; railroad car companies operating on railways in the state; and companies transmitting or selling gas or electricity.

Private Railroad Car Tax

Owners of private railcars pay the private railroad car tax on cars operated in California. For 2001-02, the Board billed 261 car companies for taxes totaling \$6.37 million.

As required by the Federal Railroad Revitalization and Regulatory Reform Act, the Board applied an assessment ratio of 75.56 percent to the value of rail transportation properties, including private railroad cars, for the 2001-02 assessment year. Revenues from the private railroad car tax, deposited in the state's General Fund, totaled \$6.34 million in fiscal year 2000-01.

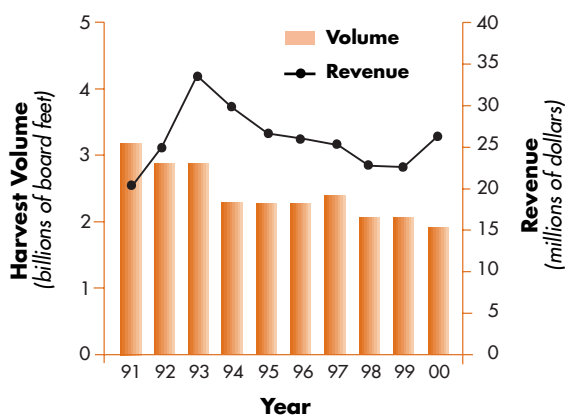
Additional information on the private railroad car tax can be found in the [Appendix](#) on pages A-21 and A-22 and in the [foldout chart](#) inside the back cover of this report.

Timber Yield Tax

Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2000 revenues totaled \$26.03 million.

Timber Yield Tax

Annual Revenue and Harvest Volume 1991–2000



Timber harvest volume totaled 1.97 billion board feet during 2000, a decrease of 8.3 percent. However, a steep spike in redwood prices caused the total value for the year's harvest to increase to \$909 million, a jump of 19.0 percent. The number of registered timber owners dropped again this year. As of June 30, 2001, there were 2,463 active program registrants, compared with 2,770 timber owners registered at the end of 1999-00. Thirty timber owners paid approximately 81 percent of the tax in 2000.

Additional information on the timber yield tax can be found in the Appendix on page [A-20](#) and in the foldout chart inside the back cover of this report.

Operations

Policy, Planning, and Standards Division

The Policy, Planning, and Standards Division develops property tax assessment policies and informational materials to guide county assessors

and assessment appeals boards. The Division provides technical expertise and guidance to assessors, the Legislature, and others concerned with property tax assessment matters, and ensures that the content of property tax forms is uniform throughout the state. The Division is also responsible for maintaining all property tax-rate area maps in California.

In 2000-01, Policy, Planning, and Standards Division staff

- Revised four sections of the *Assessors' Handbook* to reflect current, annually collected data: AH 222, *Standard Form List*, AH 531, *Residential Building Costs*, AH 534, *Rural Building Costs*, and AH 581, *Equipment Index and Percent Good Factors*.
- Revised various sections of the *Assessors' Handbook* to reflect statutory and regulatory changes, including AH 267, *Welfare, Church, and Religious Exemptions*, and AH 542, *Assessment of Water Companies and Water Rights*.
- Revised various advisory publications, including the *Assessment Appeals Manual* and the *State Assessment Manual*.
- Published the *Property Tax Committee Procedures Manual*.
- Issued 115 advisory *Letters to Assessors*.
- Responded by telephone to more than 3,000 outside inquiries regarding property tax matters, prepared 65 written responses, and responded to 95 inquiries from users of the Board's website.
- Reviewed 5.25 million homeowners' exemption claims, revealing nearly 24,000 duplicate claims and saving \$1.65 million in state tax subvention payments to counties.
- Reviewed 18,500 welfare exemption claims involving more than 27,000 properties.

- Conducted 56 formal courses and workshops attended by more than 1,860 appraisers.
- Sent more than 16,000 questionnaires to legal entities, including corporations and partnerships, resulting in the reassessment of 6,068 parcels owned by 328 legal entities.
- Continued to maintain more than 11,000 revenue district boundaries that encompass 60,113 Tax Rate Areas, helping to ensure the proper allocation of local tax revenue to counties, cities, and special tax districts.

Valuation Division

The Valuation Division provides the elected Board Members with value indicators for state-assessed properties, described on [page 18](#), and allocates the Board-determined value of those properties to the



Homes and businesses used coal and wood for fuel. F. Horrell and Sons delivery truck, around 1910.

counties where the properties are located. The Division also audits the financial records of utility and transportation companies for property tax purposes and has responsibility for the valuation of private railroad cars located in California. Since 1977, Valuation Division audits have resulted in adjusted property tax assessments of more than \$10.21 billion, yielding additional property tax revenue for local governments.

County Property Tax Division

The County Property Tax Division conducts periodic Assessment Practices Surveys of each county assessor's office and issues resulting reports to the governor, senate, assembly, attorney general, county assessor, county board of supervisors, county grand jury, county assessment appeals board, and other county assessors. In 2000-01, final survey reports were published for 14 counties: Alameda, Alpine, Amador, Colusa, El Dorado, Glenn, Kern, Mendocino, Sacramento, San Joaquin, San Luis Obispo, San Mateo, Sonoma, and Tehama.

This fiscal year, the Division began a new program to perform supplemental surveys of major counties to determine their compliance with recommendations made in the latest survey report. Supplemental survey reports were published for the counties of Riverside, San Bernardino, and Santa Clara.

The Division also collects and administers the state's timber yield tax, described on [page 18](#). Timber Tax Section staff gather data on timber harvest sales and develop timber harvest value schedules for consideration by the Board's Timber Advisory Committee and approval by the Board Members, register timber owners who harvest timber, and collect the timber yield tax.

Appeals

Local assessment appeals boards review appeals of county-assessed property values. The elected Members of the Board of Equalization hear appeals of state-assessed property values, appeals filed under the Timber Yield Tax and Private Railroad Car Tax laws, appeals of welfare exemption denials, and appeals made by local governments concerning assessments of properties they own outside their boundaries. For information regarding appeals filed with the Board in 2000-01, see “Appeals,” on [page 49](#).

Court Decisions

County Board Hearings

Under Revenue and Taxation Code section 1605, subdivision (e), a taxpayer is entitled to administrative review by the county board of equalization or assessment appeals board if an audit under Revenue and Taxation Code section 469 reveals property that was underassessed or not assessed. This holds true whether or not the county assessor enrolled an escape assessment.

Heavenly Valley v. El Dorado County Board of Equalization (2000) 84 Cal.App.4th 1323

Proposition 13 and Article XIII A Limits

Article XIII A, section 1, subdivision (a) of the California Constitution, which limits property tax to one percent of the property’s full cash value, precluded a county from raising property taxes to pay a court judgment against a port district. The district could not levy a special assessment on properties within its boundaries to pay the judgment either, because in this instance, the assessment

was like a tax and would not specially benefit those parcels.

Ventura Group Ventures, Inc. v. Ventura Port District (2001) 24 Cal.4th 1089

Legislation

Low-Income Housing and Historic Vessel

Welfare exemption—low-income housing

Reinstates eligibility for the welfare exemption for low-income housing property wholly owned by an eligible nonprofit corporation when 90 percent or more of the property’s occupants are lower-income households. Limits the exemption granted on this basis to \$20,000 of property taxes for any fiscal year.

Indian tribe owned low-income housing projects

Allows a partial exemption to be granted according to the percentage of low-income occupancy, provided at least 30 percent of the housing units are for low-income tenants.

Historic wooden vessel

Creates an exemption for a wooden vessel that has been designated a California State Historical Landmark and that is part of a maritime museum.

Assembly Bill 659, Chapter 601, Statutes of 2000; effective September 24, 2000

State-County Property Tax Administration Loan Program

Extends the program to include the 2001-02 fiscal year.

Assembly Bill 1036, Chapter 602, Statutes of 2000; effective January 1, 2001

Grapevines

For base-year value transfers, deletes the requirement that replacement grapevines be of a similar type as those removed due to Pierce's Disease or phylloxera infestation. Also allows a partial base-year transfer when replacement grapevines are planted at a greater density.

Assembly Bill 1790, Chapter 272, Statutes of 2000; effective January 1, 2001

Possessory Interests

Excludes from supplemental assessment newly created taxable possessory interests with a value of \$50,000 or less that are established by month-to-month agreements.

Assembly Bill 1966, Chapter 406, Statutes of 2000; effective September 12, 2000

Disabled Veterans' Exemption

Exemption amount

Deletes provisions that would have reduced the amount of the exemption beginning January 1, 2001.

Low-income threshold

Raises the qualifying income limit for the low-income disabled veterans' exemption to \$40,000 and provides for automatic annual adjustments for inflation.

Late filing

Permits disabled veterans to receive a partial retroactive exemption for prior tax years if they did not file a claim timely, and permits full retroactive exemptions for veterans awaiting a disability rating from the federal government.

Portability

Allows a disabled veteran to transfer the exemption immediately from one home to another.

Assembly Bill 2092, Chapter 575, Statutes of 2000; effective January 1, 2001

Assembly Bill 2562, Chapter 922, Statutes of 2000; effective September 29, 2000

Senate Bill 1362, Chapter 1085, Statutes of 2000; effective September 30, 2000

Senate Bill 2195, Chapter 1086, Statutes of 2000; effective September 30, 2000

Intercounty Pipeline Rights-of-Way

Extends until January 1, 2011, the current assessment methodology procedures used to determine the value of intercounty pipeline rights-of-way.

Assembly Bill 2612, Chapter 607, Statutes of 2000; effective January 1, 2001

Expansion of California Taxpayers' Bill of Rights

With respect to private railroad car and timber yield taxes, this bill

- Authorizes the Board to establish criteria to provide relief of the late payment penalty in a more efficient manner.
- Provides relief to a taxpayer whose employer withheld delinquent taxes or fees from the taxpayer's pay but failed to remit the amounts to the Board.
- Provides relief of the 10 percent penalty for late payment in cases where the taxpayer enters into and successfully complies with an installment payment agreement.
- Makes it a misdemeanor for a tax preparer to disclose confidential taxpayer information.



Gasoline-powered automobiles began to transform transportation early in the 20th century. Changing a tire on a 1920 Dodge touring car.

- Changes the effective date for which reimbursement of fees and expenses may be awarded so that taxpayers may claim reimbursement from the issuance date of the notice of determination, jeopardy determination, or denial of claim for refund.
- Suspends the statute of limitations on filing refund claims during periods of disability.
- Requires the Board to provide annual statements summarizing payment and liability information to taxpayers who have entered into installment payment agreements.

Assembly Bill 2898, Chapter 1052, Statutes of 2000; effective January 1, 2001

Intercounty Base-Year Value Transfers

Precludes the levy of escape assessments for prior years' taxes if the county erred by granting an intercounty base-year value transfer (under Proposition 90) after the county's ordinance for accepting such transfers had expired.

Senate Bill 383, Chapter 693, Statutes of 2000; effective September 27, 2000

Base-Year Value Transfers

Rescissions

Requires the assessor, upon a taxpayer's request, to rescind the one-time base-year value transfer for a person over 55 years old if the taxpayer vacated the home within 90 days after filing the base-year value transfer claim.

Intercounty ordinances

Permits intercounty base-year value transfers to be granted prospectively in counties that change the effective date of their local county ordinance accepting such transfers.

Senate Bill 1417, Chapter 417, Statutes of 2000; effective January 1, 2001

Mandatory Audit Threshold

Increases from \$300,000 to \$400,000 the level of business property holdings that require the county assessor to audit the business once every four years.

Senate Bill 1844, Chapter 613, Statutes of 2000; effective January 1, 2001

Board-Sponsored Technical and Housekeeping Measure*Escape assessments*

Restores a limitation on the number of prior years for which escape assessments may be levied when changes of ownership are not recorded or not reported to the assessor (see “Highlights,” page 13).

Appraisal data sharing

Allows the State Lands Commission to receive appraisal data from the assessor.

State assessee appeals

Simplifies the filing deadlines for appeals of assessments and allocations of state-assessed properties.

Confidentiality

Establishes safeguards to ensure the confidentiality of taxpayer confidential information when consultants are hired by county assessors to perform appraisal work.

Senate Bill 2170, Chapter 647, Statutes of 2000; effective January 1, 2001

Regulations**Business Inventory Exemption**

Rule 133, *Business Inventory Exemption*, was revised to reflect the court of appeal’s decision in *Transworld Systems, Inc. v. Sonoma County* (2000) 78 Cal.App.4th 713. The court found that property of nonprofessional service enterprises is exempt business inventory when delivered incidental to the service, regardless of whether the goods are delivered to the customer or a third party designated by the customer.

Title 18, California Code of Regulations, section 133; effective April 6, 2001

Local Assessment Equalization

Rule 308.6, *Application for Equalization by Member, Alternate Member, or Hearing Officer*, was revised to conform to the 1999 amendment to Revenue and Taxation Code section 1622.6. That amendment repealed the county residency requirement for special alternate assessment appeals board members and specified that any person who meets the qualifications listed in Revenue and Taxation Code section 1624 is eligible for appointment.

Title 18, California Code of Regulations, section 308.6; effective February 13, 2001

Joint Tenancies

Rule 462.040, *Change in Ownership —Joint Tenancies*, was revised to correct errors in punctuation and grammar.

Title 18, California Code of Regulations, section 462.040; effective April 3, 2001

Oil and Gas Producing Properties

Rule 468, *Oil and Gas Producing Properties*, was revised to delete references to a property tax rule which has been repealed.

Title 18, California Code of Regulations, section 468; effective June 6, 2001

Mining Properties

Rule 469, *Mining Properties*, was revised to delete a reference to a property tax rule which has been repealed.

Title 18, California Code of Regulations, section 469; effective June 14, 2001

Geothermal Properties

Rule 473, *Geothermal Properties*, was revised to delete a reference to a property tax rule which has been repealed and to correct a typographical error.

Title 18, California Code of Regulations, section 473; effective June 6, 2001